

Life Estate Agreement - Two Life

Prepared for: Donor name

A. Input Assumptions

Date of Transfer	January 17, 2021
Nearest age on the date of the gift for Life Tenant 1 is	82
Nearest age on the date of the gift for Life Tenant 2 is	80
Fair market value of property transferred	\$400,000.00
Current value of depreciable property (improvements)	\$360,000.00
Estimated useful life of depreciable property in years	40 years
Expected salvage value of depreciable property (improvements)	\$100,000.00
IRC Sec. 7520(a) election to use 11/2020 discount rate of	0.4%
The mortality table is based on the census taken in	2000

B. Calculation of Income Tax Deduction

1. Current fair market value of life estate property	\$400,000.00
2. Current value of depreciable portion of life estate property	\$360,000.00
3. Salvage value of depreciable life estate property	\$100,000.00
4. Portion of property considered to be depreciable (Line 2 minus Line 3)	\$260,000.00
5. Net value of property not subject to depreciation (Line 1 minus Line 4)	\$140,000.00
6. Remainder interest factor based on tenant ages	-1
7. Remainder interest factor for real property which depreciates	-1
8. Value of remainder interest in real property	
(a) Value not subject to depreciation (Line 5 * Line 6)	\$-140,000.00
(b) Value subject to depreciation (Line 4 * Line 7)	\$-260,000.00
(c) Total value of remainder interest (Line 8(a) + Line 8(b)) (the tax deduction)	\$-400,000.00

NOTE: This calculation is provided for educational purposes only. The type of assets transferred, the actual date of the gift, and other factors may have a material effect on the amount or use of your deduction. You are advised to seek the advice of your tax advisors before implementing a gift of this type.

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